

INDUSTRIAL AND PROVIDENT SOCIETY REGISTRATION NUMBER: R500756C
FCA REGISTRATION NUMBER: 654709

Churches' Mutual Credit Union
Annual Report & Financial Statements
For the Year Ended
30 September 2020

Churches' Mutual Credit Union

Financial Statements

Year Ended 30 September 2020

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Churches' Mutual Credit Union

Credit Union Information

Year Ended 30 September 2020

The Board of Directors

Antony MacRow-Wood (Chair)
Sheila Nicoll (Secretary)
Jeremy Oakes (Treasurer)
Samuel Kennedy
Nick Mottershead
Jeremy Palmer
John Rowland
Alan Yates

Supervisory Committee

Dave Thomson (Chair)
John Ellis
Charles Sim

Credit and Risk Committee

Jeremy Palmer (Chair)
Antony MacRow-Wood
Nick Mottershead
Jeremy Oakes
Hilary Sams (in attendance)

Key Staff

Hilary Sams (Chief Executive)
Jane Turner

**Industrial and Provident Society
Registration Number**

R500756C

FCA Registration Number

654709

Registered Office

3 Beaufort Buildings
Gloucester
GL1 1XB

Auditors

Haines Watts Birmingham LLP
5-6 Greenfield Crescent
Edgbaston
Birmingham
B15 3BE

Bankers

Unity Trust Bank
Barclays Bank
Nationwide Building Society

Churches' Mutual Credit Union

Chairman's Report

Year Ended 30 September 2020

I'm delighted, as President, to present the annual report of the Churches' Mutual Credit Union (CMCU) for the year 2019-20.

It is my usual practice when I sit down to compose my annual report for the accounts to take a quick look at what I wrote the year before. The last paragraph of the 2018-19 report began 'We go into 2020 knowing that we will be facing a number of challenges...' I would imagine that I had in mind, Brexit, its impact on the economy, falling interest rates, and the challenges specific to us as a credit union - the need to recruit new volunteer directors, and to find alternative office premises. Little did I dream of what 2020 had in store!

We were blessed in that we had an excellent start to the year and saw record lending between 1st October 2019 and the third week of March 2020. I am sure that the significance of that date will not be lost on you. This was particularly important as during the third quarter at the height of lockdown we experienced the twin challenges of very little new lending while a significant amount of existing lending was paid down ahead of schedule. While we have always known that we draw our membership from a rather debt adverse community, but as an organisation that has no other source of income apart from lending, this does impact on us. I am pleased to say that the final quarter saw a return to strong lending, with the value of loans disbursed exceeding half a million for the first time.

I am thankful that due to the systems we already had in place, we were well equipped to deal with the practical impact of the pandemic on the provision of our services to members. I will not go into detail here as I know we have kept members informed of the steps we took ensure the credit union operated smoothly.

With both individual borrowers and their households experiencing a reduction in their income, or even redundancy it was inevitable that there would be an increase in loan arrears this year. When a member asks for special arrangements in repaying their loans, we always endeavour to treat them fairly and sympathetically whilst at the same time protecting the interests of all our members. I am delighted that we have been able to keep the loan delinquency below 1% of the total loan book, and we are receiving payments on all loans in arrears, however, due to this increase in delinquency we have had to make the difficult but prudent decision not to pay a dividend, placing instead the balance of our trading surplus into reserves this year.

Despite the pandemic, we did not as an organisation spend the last six months of the year 'treading water', we saw a net growth of the loan book to end the year at over £3million, and our regular savers, the individual members who save small sums such as £10, £20, or £30 a month, collectively saved a quarter of a million pounds last year. We are also delighted with our partnership with the Clergy Support Trust, through it we have been able to help a number of Anglican clergy in financial distress. I would like also to mention the fact that we achieved a seamless transition to our new office space in June this year, with special thanks to our Office Manager Jane who coordinated the move and who was fortunate to have a nineteen year-old son in her family 'bubble' to assist with the heavy lifting.

Churches' Mutual Credit Union

Chairman's Report

Year Ended 30 September 2020

I conclude by saying we go into 2021 knowing that we will be facing a number of challenges. The potential of the Brexit effect faded from our minds in the light of the pandemic, which is far from over, but the full impact of both factors on the economy, and our members and the denominational partners they represent is as yet unknown. Despite that we go forward into the new year with confidence, we have great staff, a strong balance sheet, loan products tailored to our members needs and we intend to continue offering fair and ethical alternative financial services to those who need us most.

A MacRow-Wood
Chair

Churches' Mutual Credit Union

Directors' Report

Year Ended 30 September 2020

Principal Activity

Churches' Mutual Credit Union is a society established under the Industrial and Provident Societies Act 1965; an Act which was subsequently consolidated into the Co-operative and Community Benefit Societies Act 2014. The principal activity of the Society during the year was to operate as a Credit Union, within the meaning of the Credit Unions Act 1979. Churches' Mutual Credit Union is registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

Directors

The directors who served the Credit Union during the year and up to the date of signing of this report were as follows:

Antony MacRow-Wood (Chair)

Sheila Nicoll (Secretary)

Jeremy Oakes (Treasurer)

Samuel Kennedy

Stephen Morgan

Nick Mottershead

Jeremy Palmer

John Rowland

Alan Yates

Changes in directors during the period were as follows:

Stephen Morgan resigned 31 January 2020

Alan Yates elected 31 January 2020

Directors' Responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Credit Union and Co-operative and Community Benefit Societies law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Credit Union and Co-operative and Community Benefit Societies law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Credit Union and of the surplus or deficit for that year.

In preparing those financial statements, directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Credit Union will continue in operation.

Churches' Mutual Credit Union

Directors' Report (continued)

Year Ended 30 September 2020

Directors' Responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Credit Union's transactions and disclose with reasonable accuracy at any time the financial position of the Credit Union and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Events since the balance sheet date

Information relating to events since the end of the year is given in the notes to the financial statements.

Auditor

Haines Watts Birmingham LLP were reappointed as external auditors for the year ended 30 September 2020 and a resolution to reappoint will be proposed at the forthcoming Annual General Meeting.

In so far as the directors are individually aware:

- there is no relevant audit information of which the Credit Union's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board of Directors on 29 January 2021 and signed on its behalf by:

A MacRow-Wood
Chair

Churches' Mutual Credit Union

Independent Auditor's Report to the Members

Year Ended 30 September 2020

Opinion

We have audited the financial statements of Churches' Mutual Credit Union (the 'Credit Union') for the year ended 30 September 2020 on pages 8 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30 September 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including FRC's Ethical Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Credit Union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, not all future events or conditions can be predicted. The COVID-19 viral pandemic is one of the most significant economic events for the UK with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the organisation's activities, members, suppliers and the wider economy. The Directors' view on the impact of COVID-19 is disclosed in the accounting policies note.

Other information

The directors are responsible for the other information. The other information comprises of the information in the Chairman's Report and the Directors' Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Churches' Mutual Credit Union

Independent Auditor's Report to the Members (continued)

Year Ended 30 September 2020

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Credit Union in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation;
- the revenue account or other accounts (if any) to which our report relates, and the balance sheet are not in agreement with the books of account of the Credit Union; or
- we have not received all the information and explanations and access to documents that we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable to preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Churches' Mutual Credit Union

Independent Auditor's Report to the Members (continued)

Year Ended 30 September 2020

Use of our report

This report is made solely to the Credit Union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

Haines Watts Birmingham LLP
5-6 Greenfield Crescent
Edgbaston
Birmingham
B15 3BE

Date

Churches' Mutual Credit Union

Revenue Account

Year Ended 30 September 2020

	Note	2020 £	2019 £
Loan interest receivable and similar income	4	156,297	151,536
Interest payable	5	(13,526)	(15,351)
Net interest income		142,771	136,185
Fees and commissions receivable	6	645	705
Fees and commissions payable	7	(2,054)	(2,060)
Net fees and commissions payable		(1,409)	(1,355)
Other income	8	708	16,665
Administrative expenses	9	(99,014)	(122,716)
Other operating expenses	10	(25,980)	(21,646)
Depreciation and amortisation of fixed assets		(2,148)	-
Impairment (losses)/gains on loans to members	18	(10,000)	(8,420)
		(137,142)	(152,782)
Surplus/(deficit) before taxation		4,928	(1,287)
Taxation	13	(760)	(1,192)
Surplus/(deficit) for the financial year		4,168	(2,479)
Other comprehensive income		-	-
Total comprehensive income for the year		4,168	(2,479)

There are no recognised gains or losses other than those reported above.
The surplus/(deficit) for the financial year arises from continuing operations.

The notes on pages 13 to 24 form part of the financial statements

Churches' Mutual Credit Union

Statement of Financial Position

As at 30 September 2020

	Note	2020 £	2019 £
Assets			
Cash, cash equivalents and liquid deposits:			
Loans and advances to banks		1,169,151	1,198,153
Loans and advances to members	17	3,021,173	2,773,515
Intangible fixed assets	14	4,296	-
Tangible fixed assets	15	-	-
Prepayments and accrued income	16	3,954	3,158
Total assets		4,198,574	3,974,826
Liabilities			
Subscribed capital - repayable on demand	20	(3,699,937)	(3,479,927)
Other payables	21	(9,051)	(9,481)
		(3,708,988)	(3,489,408)
Equity			
General reserve		37,586	19,666
Interest proposed		-	13,752
Retained earnings		37,586	33,418
Deferred shares	20	452,000	452,000
		489,586	485,418
Total liabilities		4,198,574	3,974,826

These financial statements were approved, and authorised for issue, by the Board of Directors on 29 January 2021 and signed on its behalf by:

Antony MacRow-Wood
Chair

Jeremy Oakes
Treasurer

Sheila Nicoll
Secretary

The notes on pages 13 to 24 form part of the financial statements

Churches' Mutual Credit Union

Statement of Changes in Equity

Year Ended 30 September 2020

	General reserve £	Other reserve £	Interest proposed £	Retained earnings £	Deferred shares £
At 1 October 2018	12,447	8,024	15,426	35,897	452,000
Total comprehensive income	12,872	-	(15,351)	(2,479)	-
Designated for dividend	(13,677)	-	13,677	-	-
Transfer between funds	8,024	(8,024)	-	-	-
At 30 September 2019	19,666	-	13,752	33,418	452,000
Total comprehensive income	17,694	-	(13,526)	4,168	-
Designated for dividend	-	-	-	-	-
Transfer between funds	226	-	(226)	-	-
At 30 September 2020	37,586	-	-	37,586	452,000

The notes on pages 13 to 24 form part of the financial statements

Churches' Mutual Credit Union

Statement of Cash Flows

Year Ended 30 September 2020

	2020	2019
	£	£
Cash flows from operating activities		
Surplus/(deficit) before taxation	4,928	(1,287)
Adjustments for non-cash items:		
Debt impairment and write off	10,000	8,420
Amortisation	2,148	-
	<u>17,076</u>	<u>7,133</u>
Movements in:		
Prepayments and accrued income	(796)	-
Other payables	-	1
	<u>(796)</u>	<u>1</u>
Cash flows from changes in operating assets and liabilities		
Cash flow from subscribed and repaid capital	220,010	216,773
Net movement in member loans	(257,655)	(259,147)
	<u>(37,645)</u>	<u>(42,374)</u>
Taxation paid	(1,192)	(683)
Net cash flows from operating activities	<u>(22,557)</u>	<u>(35,923)</u>
Cash flow from investing activities		
Intangible fixed asset additions	(6,444)	-
	<u>(6,444)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	<u>(29,001)</u>	<u>(35,923)</u>
Cash and cash equivalents at the beginning of the year	<u>1,198,153</u>	<u>1,234,076</u>
Cash and cash equivalents at the end of the year	<u>1,169,152</u>	<u>1,198,153</u>

The notes on pages 13 to 24 form part of the financial statements.

Churches' Mutual Credit Union

Notes to the Financial Statements

Year Ended 30 September 2020

1 Legal and regulatory framework

Churches' Mutual Credit Union is a society established under the Industrial and Provident Societies Act 1965, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. Churches' Mutual Credit Union has registered with the Financial Conduct Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest-bearing shares. At present Churches' Mutual Credit Union has only issued redeemable and deferred shares.

2 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements have been prepared under the historical cost basis.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Going concern

The directors continue to adopt the going concern basis in preparing the financial statements as the belief is that company has adequate resources and support to continue in operational existence for the foreseeable future. In making this assessment the directors consider a period of at least 12 months from the date of approval of these financial statements.

The financial statements have been prepared on the going concern basis despite a mismatch in the maturity analysis of subscribed capital and loans to members, because the credit union holds a substantial amount of capital in the form of deferred shares totalling £452,000 (2019: £452,000).

Income recognition

Loan interest receivable and similar income: Interest on both loans to members and loans to banks is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Fees and commissions receivable: Fees and charges either arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is completed.

Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. Churches' Mutual Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as trade. However, corporation tax is payable on investment income.

As a result of the limited activities of Churches' Mutual Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2020

2 Accounting policies (continued)

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to the profit and loss account on a straight line basis over 3 years.

Tangible fixed assets

Tangible fixed assets comprises items of Fixtures, fittings and Computer equipment. Intangible fixed assets comprises Website costs. Both are stated at cost less accumulated depreciation/amortisation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation/amortisation is calculated to write off the cost of fixed assets over their estimated useful lives as follows:

Leasehold Property	over the term of the lease
Office and Computer Equipment	3 years straight line

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and loaned and advanced to banks (i.e. cash deposited with banks) with maturity of less than or equal to three months.

Financial assets - loans and advances to members

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by a member.

Impairment of financial assets

Churches' Mutual Credit Union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

Subscribed capital - financial liabilities

Members' shareholdings in Churches' Mutual Credit Union are redeemable and therefore classified as financial liabilities, and described as subscribed capital. They are recognised at the amount of cash deposited and subsequently measured at amortised cost.

Subscribed capital - equity

Churches' Mutual Credit Union has issued deferred shares in accordance with section 31 of the Credit Unions Act 1979, as introduced by the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 and has asserted its unconditional right to refuse redemption of said shares. The fact that this limits the redemption of deferred shares to those at the consent of the credit union and the regulators permits their being accounted for as equity under Section 22.6 of FRS 102.

Reserves

Retained earnings are the accumulated surpluses to date that have not been declared as dividends returnable to members.

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2020

3 Use of estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying Churches' Mutual's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

Impairment losses

Made in accordance with guidance issued by the FCA, and is as follows:

35% of the net liability of loans over 3 months in arrears but less than 6 months in arrears;

60% of the net liability of loans over 6 months in arrears but less than 9 months in arrears;

80% of the net liability of loans over 9 months in arrears but less than 12 months in arrears;

100% of the net liability of loans over 12 months in arrears

Churches' Mutual Credit Union exercises further judgement in calculating the extent of impairment losses on loans to members based on experience of trading for the past year and the nil bad debt at the end of September 2020. The credit union operates a sliding scale of general provisioning between 0% and 2% based on estimated risk of each loan product.

4 Loan interest receivable and similar income

	2020	2019
	£	£
Loan interest receivable from members	152,296	145,262
Bank interest receivable on cash and liquid deposits	4,002	6,274
Total loan interest receivable and similar income	156,298	151,536

5 Dividend paid to members

The expense in the Revenue Account is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date.

	2020	2019
	£	£
Interest overstated in the prior period	(226)	(75)
Interest paid during the year	13,752	15,426
	13,526	15,351
Dividend rate:		
Deferred shares	0.0%	0.20%
Corporate and member shares	0.00%	0.2-0.5%
Founder member shares	0.00%	0.50%
Interest proposed, but not recognised	-	12,078

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2020

6 Fees and commissions receivable

	2020	2019
	£	£
Entrance fees	<u>645</u>	<u>705</u>

7 Fees and commissions payable

	2020	2019
	£	£
Bank charges	<u>2,054</u>	<u>2,060</u>

8 Other income

	2020	2019
	£	£
Dormant account administration charges	323	175
Grants	-	16,000
Donations	355	490
Withdrawal administration charges	30	-
	<u>708</u>	<u>16,665</u>

9 Administrative expenses

	2020	2019
	£	£
Employment costs	74,306	72,749
Staff training	655	660
Directors' expenses	456	1,250
Other staff expenses	329	1,241
Auditors remuneration	6,603	6,936
Bookkeeping and payroll	1,168	1,563
Telephone	778	896
Computer maintenance, software and website costs	12,212	27,834
Data protection	35	35
Licences	119	956
General expenses	836	538
Printing, postage, stationary, advertising and marketing	1,229	7,770
Other insurance	289	288
	<u>99,014</u>	<u>122,716</u>

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2020

10 Other operating expenses

	2020	2019
	£	£
Cleaning	914	1,838
Office service costs	5,640	2,500
Costs of occupying offices (excluding depreciation)	6,554	4,338
Financial Conduct Authority and Prudential Regulation Authority Fees	1,125	1,108
Association of British Credit Union Limited dues	1,970	1,439
Credit agency fees	5,064	3,360
Fidelity insurance	2,750	3,420
Loan protection and life savings insurance	8,517	7,981
Regulatory and financial management costs	19,426	17,308
	25,980	21,646

11 Employees and employment costs

	2020	2019
	No.	No.
Number of employees		
The average monthly number of employees during the year were:		
Office staff	2	2
	2020	2019
	£	£
Employment costs		
Wages and salaries	68,214	67,294
Social security costs	4,469	3,933
Payments to defined contribution pension schemes	1,625	1,521
	74,308	72,748

12 Remuneration of directors and key management personnel

Directors' remuneration for the year totalled £nil (2019: £nil).

Key management personnel consists the Board of Directors and the Chief Executive in addition to any other key members of staff. The aggregate remuneration of Key management personnel was as follows:

	2020	2019
	£	£
Short term employee benefits	68,214	67,294
Payments to defined contribution pension schemes	1,625	1,521
	69,839	68,815

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2020

13 Taxation

	2020	2019
	£	£
Analysis of tax charge in year		
UK Corporation tax on profits for the year	760	1,192
Total current tax	<u>760</u>	<u>1,192</u>

Factors affecting tax charge for year

The tax assessed for the year is lower than the rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£	£
(Deficit)/surplus on ordinary activities before tax and dividends	<u>4,928</u>	<u>(1,287)</u>
(Deficit)/surplus on ordinary activities multiplied by the relevant standard rate of Corporation tax in the UK of 19% (2019: 19%)	936	(245)
Effects of:		
Non taxable deficit/(surplus) on transactions with members	(176)	1,437
Reduction in tax rate during the year	-	-
Current tax charge for year (see note above)	<u>760</u>	<u>1,192</u>

14 Intangible fixed assets

	Computer software	Total
	£	£
Cost		
At 1 October 2019	-	-
Additions	6,444	6,444
Disposals	-	-
At 30 September 2020	<u>6,444</u>	<u>6,444</u>
Amortisation		
At 1 October 2019	-	-
Charge for the year	2,148	2,148
Eliminated on disposal	-	-
At 30 September 2020	<u>2,148</u>	<u>2,148</u>
Net book value		
At 30 September 2020	<u>4,296</u>	<u>4,296</u>
At 30 September 2019	-	-

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2020

15 Fixed assets

	Leasehold Property £	Fixtures, fittings, office and IT equipment £	Total £
Cost			
At 1 October 2019	3,300	15,562	18,862
Additions	-	-	-
Disposals	(3,300)	-	-
At 30 September 2020	<u>-</u>	<u>15,562</u>	<u>18,862</u>
Depreciation			
At 1 October 2019	3,300	15,562	18,862
Charge for the year	-	-	-
Eliminated on disposal	(3,300)	-	-
At 30 September 2020	<u>-</u>	<u>15,562</u>	<u>18,862</u>
Net book value			
At 30 September 2020	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 2019	<u>-</u>	<u>-</u>	<u>-</u>

16 Cash and cash equivalents

	2020 £	2019 £
Cash and balances with the Bank of England		
Loans and advances to banks	1,169,151	1,198,153
Less: amounts maturing after three months	-	-
	<u>1,169,151</u>	<u>1,198,153</u>

17 Prepayments and accrued income

	2020 £	2019 £
Prepayments	3,954	3,158
	<u>3,954</u>	<u>3,158</u>

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2020

18 Loans and advances to members - financial assets

Loans and advances to members	2020	2019
	£	£
As at 1 October 2019	2,795,800	2,536,653
Loan interest	152,296	145,262
Net advanced/(repaid) during the year	105,362	113,885
Written off	-	-
Gross loans and advances to members	3,053,458	2,795,800
Impairment losses		
As at 1 October 2019	(22,285)	(13,865)
(Increase)/decrease in allowances during the year	(10,000)	(8,420)
	(32,285)	(22,285)
As at 30 September 2020	3,021,173	2,773,515
Memorandum - Total loan assets for regulatory purposes	2020	2019
	£	£
Gross loans and advances to members	3,053,458	2,795,800
Impairment of individual financial assets	(32,285)	(22,285)
Total loan assets for regulatory purposes	3,021,173	2,773,515

19 Credit risk disclosures

Churches' Mutual Credit Union does not offer mortgages and all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. The maximum that can be borrowed by an individual is £25,000 in excess of any secured shares.

The carrying amount of the loans to members represents Churches' Mutual Credit Union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full.

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2020

19 Credit risk disclosures - continued

	2020		2019	
	Amount £	Proportion %	Amount £	Proportion %
Not impaired:				
Not yet past due	2,981,482	97.6%	3,042,807	99.6%
Up to 3 months past due	-	-	-	-
Between 3 and 6 months past due	-	-	-	-
Between 6 months and 1 year past due	-	-	-	-
Over 1 year past due	-	-	-	-
Loans not impaired	2,981,482	97.6%	3,042,807	99.6%
Individually impaired:				
Not yet past due	-	-	12,140	0.4%
Up to 3 months past due	27,728	0.9%	-	-
Between 3 and 6 months past due	14,791	0.5%	-	-
Between 6 months and 1 year past due	18,129	0.6%	-	-
Over 1 year past due	11,328	0.4%	-	-
Loans impaired	71,976	2.4%	12,140	0.4%
Total loans	3,053,458		3,054,947	
Impairment allowance	(32,285)		(22,285)	
Total carrying value	3,021,173		3,032,662	

Factors that are considered in determining whether loans are impaired are discussed in Note 3.

	2020 £	2019 £
Allowance account for impairment losses		
As at 1 October 2019	22,285	13,865
Increase/(decrease) in allowances during the year	10,000	8,420
As at 30 September 2020	32,285	22,285
Impairment losses recognised for the year		
Impairment of individual financial assets	5,229	8,288
Increase/(decrease) in impairment allowances during the year	4,771	132
	10,000	8,420
Reversal of impairment where debt recovered	-	-
Total impairment losses/(gains) recognised for the year	10,000	8,420

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2020

20 Subscribed capital

	2020	2019
	£	£
Share deposits		
As at 1 October 2019	3,931,927	3,715,154
Received during the year	958,121	753,522
Entrance fees	(645)	(705)
Repaid during the year	(1,142,066)	(847,118)
Transferred	404,600	311,074
As at 30 September 2020	4,151,937	3,931,927
Subscribed capital presented as financial liabilities:		
Members' share deposits repayable on demand	3,699,937	3,479,927
Subscribed capital presented as equity:		
Deferred shares	452,000	452,000
Total subscribed capital	4,151,937	3,931,927

Churches' Mutual Credit Union has issued deferred shares in accordance with section 31 of the Credit Unions Act 1979, as introduced by the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 and has asserted its unconditional right to refuse redemption of said shares. The fact that this limits the redemption of deferred shares to those at the consent of the credit union and the regulators permits their being accounted for as equity under Section 22.6 of FRS 102.

21 Other payables

	2020	2019
	£	£
UK Corporation Tax	762	1,192
Accruals and deferred income	8,289	8,289
	9,051	9,481

22 Commitments under Operating Leases

At 30 September 2020 the total of the Credit Union future minimum lease payments under non-cancellable operating leases was:

	2020	2019
	£	£
Land & Buildings		
Amounts due within one year	7,968	-
Amounts due between one and five years	5,976	-
	13,944	-

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2020

22 Financial risk management

The main financial risks arising from Churches' Mutual Credit Union's activities are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below:

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to Churches' Mutual Credit Union, resulting in financial loss. In order to manage this risk the Board approves Churches' Mutual's lending policy and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate the likelihood of repayment has changed.

Liquidity risk: Churches' Mutual Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of Churches' Mutual's liquidity policy is to smooth the mismatch between maturing assets and liabilities and to provide a degree of protection against unexpected developments that may arise. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of Churches' Mutual Credit Union.

Market risk: Market risk is generally comprised of interest rate risk, currency risk, and other price risk. Churches' Mutual Credit Union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore Churches' Mutual is not exposed to any form of currency risk or other price risk.

Interest rate risk: Churches' Mutual decides on the level of dividend reward payable to holders of subscribed capital based on the actual and forecast levels of operating surplus. Aside from dividend costs, Churches' Mutual has no exposure to interest rate costs.

Interest rate risk disclosures

The following table shows the average interest rates applicable to relevant financial assets and financial liabilities.

	2020		2019	
	Amount £	Average interest rate	Amount £	Average interest rate
Financial assets				
Loans to members	<u>3,021,173</u>	5.04%	<u>3,024,242</u>	4.80%
Financial liabilities				
Subscribed capital	<u>3,699,937</u>	0.0%	<u>3,696,700</u>	0.3%

Liquidity risk disclosures

Excluding short-term other payables, as noted in the balance sheet, Churches' Mutual Credit Union's financial liabilities, the subscribed capital, are repayable on demand, with the exception of the deferred shares (see note 19).

Fair value of financial instruments

Churches' Mutual Credit Union does not hold any financial instruments at fair value.

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2020

23 Contingent liabilities

Churches' Mutual Credit Union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) had provided details of how the calculation of next year's contributions towards the FSCS will be calculated and full provision has been included for this in the liability. However, this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy that Churches' Mutual Credit Union will have to pay.

24 Related party transactions

During the year, 22 members of the Board, staff and their close family members (2019: 19) had share accounts and 3 (2019: 3) had loans with Churches' Mutual Credit Union. These share accounts and loans were approved on the same basis as share accounts and loans to other members of Churches' Mutual Credit Union. None of the directors, staff or their close family members, have any preferential terms on their share accounts or loans.

	Brought forward	Interest paid/recd	Deposited/ repaid	Withdrawn/ advanced	Carried forward
Shares	(87,176)	(337)	(46,295)	6,397	(127,410)
Loans	7,859	298	(5,239)	-	2,919

25 Post balance sheet events

The ongoing COVID-19 viral pandemic continues to be one of the most significant economic events for the UK and globally. Under UK GAAP, the consequences of a condition present at the balance sheet date are considered to be an adjusting post balance sheet event and therefore potentially have implications for the period end balance sheet.

Having reviewed the trading conditions in the post balance sheet period, and in particular having considered the recoverability of loans and other receivables, the directors are satisfied there are currently no indications of any material impairment in addition to that already provided for in these financial statements.

The directors' assessment of the impact of COVID-19 on the future development and performance of the business, and on the going concern assumption for preparation of the financial statements, is detailed in the Directors' Report and in the Accounting Policies.